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PUBLIC VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

MONTREAL, MAINE & ATLANTIC RAILWAY LTD. – DISCONTINUANCE OF SERVICE AND ABANDONMENT – IN AROOSTOOK AND PENOBSCOT COUNTIES, MAINE	)	Docket No. AB-1043 (Sub-No. 1)

COMMENTS AND PROTEST
OF LOUISIANA-PACIFIC CORPORATION

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Dated: April 21, 2010

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Louisiana-Pacific Corporation ("LP") submits the following Comments and Protest with respect to the Application by Montreal, Maine & Atlantic Railway, Ltd. ("MMA") for authority to discontinue service over and abandon approximately 233 miles of railroad lines in Aroostook and Penobscot Counties, Maine. For the reasons set forth herein, and the accompanying verified statement of Travis W. Turner, Plant Manager of LP's Houlton, Maine wood manufacturing facility, LP respectfully submits that the present and future public convenience and necessity do *not* permit the proposed discontinuance and abandonment because the potential harm to LP, other affected shippers, and rural communities from the loss of MMA rail service far outweighs the future burden that continued operations on the lines could impose on MMA and on interstate commerce.

IDENTITY AND INTEREST

As further detailed in the accompanying Verified Statement of Travis W. Turner ("V.S. Turner"), LP is a leading national manufacturer of building products, based in Nashville, Tennessee. Its Houlton, Maine facilities are an important strategic business asset. LP's Houlton facilities manufactures an innovative value added product, Laminated Strand Lumber ("LSL"), which was brought to market after years of research and development by LP and after a substantial two-year plant conversion at Houlton, which required an investment of over $140 million. The Houlton plant serves a national market and is dependent on rail service to be able to serve its core customer base and succeed. LP has a significant interest in this proceeding because of the serious business harm that it will suffer should it lose direct rail service as a result of MMA's proposed discontinuance and abandonment.

COMMENTS

I. Abandonments Must Meet the Public Convenience and Necessity

In evaluating abandonments or discontinuance requests, the statutory standard is whether the "present or future public convenience and necessity require or permit" the proposed abandonment or discontinuance. 49 U.S.C. § 10903(d). The Board's evaluation under this standard requires a balancing of the potential harm to affected shippers and communities against the present and future burden that continued operations could impose on the railroad and on interstate commerce. *See Colorado v.*

United States, 271 U.S. 153 (1926). The core question is whether, and to what degree, shippers will be harmed if rail service is no longer available and if that harm outweighs the demonstrated harm to the railroad and interstate commerce resulting from continued operations. *See Chicago and North Western Transportation Co. – Abandonment*, 354 I.C.C. 1, 7 (1977); *Boston and Maine Corp. – Abandonment and Discontinuance of Service – In Middlesex County, MA*, STB Docket No. AB-32 (Sub-No. 74) (STB served Sept. 10, 1996), 1996 WL 512019 at *12. The various factors examined by the Board include railroad operating profits or loss (including rehabilitation and economic costs), and the effects on shippers and communities. *See Cartersville Elevator, Inc. v. ICC*, 724 F.2d 668 (8th Cir. 1984). While no one factor is conclusive, the Board has a special statutory obligation in abandonment and discontinuance proceedings to fully consider "whether the abandonment or discontinuance will have a serious, adverse impact on rural and community development." 49 U.S.C. § 10903(d)(2). Additionally, the applicant in abandonment proceedings has the burden of proving that continued operation would burden it and interstate commerce. *See, e.g., Georgia Pub. Serv. Comm'n v. ICC*, 704 F.2d 538, 545 (11th Cir. 1983); *Southern Pacific Transportation Company – Abandonment – In El Dorando and Sacramento Counties, CA*, ICC Docket No. AB-112 (Sub-No. 113) (ICC decided July 27, 1987), 1987 WL 99054 at *7.

II. The Harm Caused By Discontinuance and Abandonment Outweighs Any Demonstrated Harm to MMA and Interstate Commerce That Would Result From Continued Operations

Through its application, MMA seeks to discontinue and cease all rail service on the vast majority of its northern lines and to abandon, salvage and scrap the entirety of those lines. MMA's proposed actions would likely eliminate the possibility of future rail service to an expansive geographic region for all time. This is not a routine abandonment application. There has been continuous rail service over the lines for over a century. The proposed actions involve significant rail volumes, customers, and regional transportation impacts and are highly controversial. These actions would have enormous and far-reaching adverse impacts.

In its Application, MMA significantly downplays the importance of rail to its customers and to northern Maine. MMA alleges that, with the future elimination of service on its northern lines, generally no harm will be caused, because all of its affected customers' traffic can be accommodated by alternate transportation arrangements. *See id.*, Verified Statement ("V.S.") of Robert E. Holland. MMA contends that, because truck competition is so "pervasive," all of its customers can easily use substitute truck service (or truck/rail service, for longer hauls of 300 miles or more) to meet their business needs. *See* V.S. Joseph R. McGonigle at 4-5.[1]

[1] In an attempt to bolster its claims as to the need for rail service in the region, MMA "estimates" that MMA's market share as compared to trucks has been declining over the past several years and today "amounts to less than 10% of overall shipping capacity." These claims, like many others, are unsupported by any hard evidence in the

A. LP's Houlton Plant Is Dependent on Rail, and Is Planning on Substantial Railroad Volume Increases

MMA acknowledges that LP recently converted its plant (in 2008), which formerly manufactured Oriented Strand Board ("OSB"), to produce a new product, Laminated Strand Lumber ("LSL"). *See V.S.* McGonigle at 10. However, MMA minimizes and downplays the significance of this substantial undertaking, and in particular, MMA's future substantial production plans and expectations which will lead to significant increases in rail traffic at LP's Houlton plant. MMA asserts that in 2009, LP Houlton moved only approximately [redacted]% of the rail carload volumes it moved in 2005, and that the plant operated at less than [redacted]% of available capacity – intimating that LP Houlton has been involved in a ramp-down of production that is unlikely to change going forward. *See id.* Nothing could be further from the truth.

LP Houlton was initially constructed in 1982, and for over 25 years the plant manufactured OSB. *See V.S.* Turner at 2. Over time, as LP built numerous additional OSB facilities in other geographic regions and as the older Houlton mill

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record and should therefore be disregarded. In any event, the fact that more trucks serve businesses in northern Maine than MMA is to be expected and is not materially different from other regions. Nationally, trucks carry 78% of freight tonnage and receive 88% of its dollar value, whereas railroads move 16% of the freight tonnage. *See* American Association of State Highway and Transportation Officials, *Transportation Invest in America, Freight-Rail Bottom Line Report* (2003) at 13 ("*AASHTO Report*"). Of course, the fact that trucks may have a larger share of the overall transportation market than rail in northern Maine and elsewhere in the United States is small solace to individual customers such as LP who rely on rail service and lack effective intramodal truck transportation options (or truck/rail transload options) to meet a critical portion of their transportation requirements.

became less cost competitive in a highly competitive business environment, the Houlton plant evolved into a regional supplier to the Northeast, where most of its customers were within trucking distances, and as a result its rail shipment volumes declined. Meanwhile, however, LP had been devoting considerable efforts in research and development of new engineered wood product offerings. *Id.* at 2-3. The result was the development of a unique, value added, high-strength and structurally superior American-made product, LSL, and after careful consideration LP selected its old Houlton mill as the site for a new LSL manufacturing facility. *Id.* at 3. This was no small undertaking. The conversion took two years, and required a considerable investment by LP of more than $140 million. *Id.* at 3-4.

LP invested in its Houlton plant conversion in reliance on continuing rail service, its business plans were dependent on the continued use and availability of rail service, and its LSL conversion was done with the full knowledge of MMA – which never indicated that rail service to Houlton was in jeopardy. *Id.* at 4-5. Moreover, contrary to MMA's assertions that the majority of LP Houlton traffic is moved by truck, the fact is that currently approximately 65% of LP's traffic volumes are moved from the plant by rail, and this percentage of traffic moved by rail (versus truck) will grow as the plant's production increases. *Id.* at 4 n.2. The reason why the majority of LP Houlton's LSL traffic moves by rail is that LSL is marketed to and serves a *nationwide* market. *Id.* at 4.

Additionally, while it may be true that the volume of rail traffic from LP Houlton declined significantly in the years immediately prior to its conversion from OSB to LSL, those traffic levels are of no value in projecting future, post-conversion traffic levels. The Houlton LSL plant is LP's only LSL facility, and the only other operating North American plant producing a comparable product is operated by a LP competitor (located in Ontario, Canada). *Id.* at 4, 8. The core markets for Houlton LSL are in the west, where more than [redacted]% of expected plant production will be sold. *Id. at 5.* These markets can only be served by rail. *Id.* at 4, 7-9.

Although today LP Houlton is operating at only 17% of capacity, and employing only about half of its planned work force, its business plans show that, as the housing market improves in the next several years the Houlton plant will employ approximately 150 individuals and produce 7 to 8 million cubic feet of LSL per year. *Id.* at 5. MMA's use of a base for forecasted future LP Houlton of less than 200 carloads per year clearly is improper. Instead, LP's documented projections show that it will move at least 1,100 – 1,400 rail carloads per year, and perhaps more, once the current economic crisis is over and the plant reaches its design production levels. *Id.* at 5.

In developing realistic base-year figures for analysis in instances like this, where data for the base year were distorted by extraordinary events (*i.e.*, the 2008-2009 credit crisis, a recession, and turmoil in the housing market), the Board usually excludes the outlier data by using a normal projected service year, or by employing other analyses to ensure that appropriate base-year figures are utilized. *See, e.g., Pyco Industries, Inc.* –

Feeder Line Application—Lines of South Plains Switching, LTD. Co., STB Finance Docket No. 34890 (STB served Aug. 31, 2007) at 24-26; *R.J. Corman Equipment Company, LLC – Abandonment Exemption to Johnson, Magoffin, and Breathitt Counties, KY*, STB Docket No. AB-876X (STB served Nov. 5, 2004) at 4-5. MMA acknowledges that 2008-09 were extraordinary and that "[s]ome portion of the business lost due to the recession will likely return as the economy strengthens," (V.S. McGonigle at 6) but it does not adjust its base-year computations to present a realistic base-year traffic level.

Here, for LP, the best evidence of base year traffic for the STB's analysis are LP's internal projections of 1,100 – 1,400, which are based on a gradual housing recovery to pre-2008 levels in three to five years. *V.S.* Turner at 6-7. In assessing line profitability, the data for the forecast year must be revised to include this additional traffic and revenues for MMA. *See South Orient Railroad Co., LTD. – Abandonment and Discontinuance of Trackage Rights – Between San Angelo and Presido, TX*, 3 S.T.B. 743, 759 (1998) (where investments have been made by shippers in facilities to support additional rail traffic, with company verified statements in support, the traffic estimates are to be included in the analysis); *Southern Pac. Transp. Co. v. ICC*, 871 F.2d 838, 842-44 (9th Cir. 1989) (Commission takes a "pragmatic approach" to assessing planned traffic increases, and where appropriate, allows shippers an opportunity to meet anticipated traffic shipments at levels sufficient to justify continued rail line operations).

B. Trucking or Rail/Truck Transload Are Not a Viable Transportation Option for LP's Core Customer Base

MMA has wholly failed to demonstrate that alternative truck or truck/rail service is logistically and economically feasible for LP or any other rail dependent customers. MMA is mistaken that LP and other affected rail customers can simply and economically switch to truck-rail transloading for their transportation needs. V.S. Turner at 7-8. First, trucks are incapable of handling LSL shipments in lengths exceeding 48 feet, and there are LP customers who prefer receiving LSL shipments in lengths exceeding 48 feet. *Id.* at 7. Moreover, even where possible, for LP, the total additional cost of such a switch would be between $[redacted] and $[redacted] per carload of LSL, or approximately $[redacted]-$[redacted] per cubic foot as fully documented in LP's studies. *Id.* at 7-8. Such an increase is substantial in an industry with very small profit margins, and for LP, the long-term impact would be to destroy its ability to compete in [redacted]% to [redacted]% of its markets, and put the plant's survival in serious jeopardy. *Id.* at 8-9.

MMA has the burden of proving the existence of alternative transportation for displaced rail customers. *See, e.g., Georgia Pub. Serv. Comm'n*, 704 F.2d at 544 n.9. In meeting its burden, MMA must do more than what it has done in its Application, which was to simply generally assert that there are local, regional, or national alternative truck service providers, that there are highways serving the general geographic area that connect businesses to the regional and national highway systems, and that it is generally possible to move long-distance freight by truck or truck-rail transload, even while

acknowledging some of the additional costs of moving the freight by such alternative transportation modes. *Id.* at 545-46. "If the phrase 'alternative' is to have any meaning it must be interpreted to include transportation both logistically an economically feasible" and there must be "substantial evidence" to support that an alternative means of transport is "practically available, not an alternate that may fail." *Id; accord, Southern Pac. Transp. Co.*, 871 F.2d at 843. MMA has failed to show how LSL produced at LP Houlton could economically be moved by truck or truck/rail, while the substantiated testimony of Mr. Turner demonstrates that such alternative transportation modes are cost-prohibitive for LP Houlton.

C. Abandonment Would Seriously Jeopardize LP's $140 Million Investment in New Plant Facilities, Threaten Hundreds of Jobs, and Likely Have Enormous Community and Regional Impacts

Ultimately, as confirmed by Mr. Turner, the loss of rail service at Houlton would "cast[] grave doubt" on LP's ability to reach economically viable production levels at Houlton, and "put the plant's very survival in jeopardy." *Id.* at 9. The impacts would be devastating. If the Houlton plant is forced to close, the result would be the loss of over $140 million in productive investment in northern Maine, 150 jobs at the plant itself, plus an estimated 250-300 community and supplier jobs that depend indirectly on the plant and LP employees' spending of income from LP. *Id.*

As indicated, in reviewing an abandonment application, the Board is required to give special consideration to impacts on rural and community development. 49 U.S.C. § 10903(d)(2); *Georgia Pub. Serv. Comm'n.* 704 F.2d at 546-47. MMA is the

only railroad serving the rural populations of northern Maine connecting LP and other businesses in the region to the Unites States' railroad system and Canada. MMA offers essential services for LP and other customers it serves. The businesses served by MMA comprise some of the larger employers of the region, and they require rail service to economically survive, as even MMA has elsewhere acknowledged:

> MMA handles paper and forest products originating in Maine and moving to destinations throughout North America, along with other commodities, some of which are related to the paper and forest products industry, such as clay and certain chemicals, and some of which are not, moving inbound to Maine. **MMA is the only rail carrier providing rail service to several mills in Maine, and in certain cases the mills could not survive without such rail service.** The economic condition of the paper and lumber shippers in Maine at this time is not particularly strong. **In certain cases, the mills are highly dependent on rail service and likely could not survive if the most competitive rail routings were closed or made more expensive.** The economic viability of MMA is closely linked to the well-being of these customers. **Such customers could clearly not survive if MMA were forced to curtail or abandon its service.**

Statement of Position and Request for Conditions of MMA, *Norfolk Southern Railway Company, Pan Am Railways, Inc., et al. – Joint Control and Operating/Pooling Agreements – Pan Am Southern LLC*, STB Finance Docket No. 35147 (filed Aug. 8, 2008), V.S. Joseph R. McGonigle at 2 (emphasis added).

The survival and continued success of LP and other rail-dependent northern Maine businesses are vitally important to the local economies and the rural populations that rely on them for their livelihoods. A recent comprehensive transportation study of

Aroostook County concluded that, even with the presence of rail service today, the regional economy suffers from chronically poor transportation systems, and transportation system connection and continuity problems, with significant improvements needed to address the problems of the area, which include:

- A long-term loss of population in Aroostook County;
- A chronically higher unemployment rate . . . than the state average;
- A job growth rate which has been chronically below the state average;
- A lack of diverse job opportunities, which would retain and attract workers; and
- A need to improve transportation access to, from, and within Aroostook County and the surrounding provinces to improve access to jobs, reduce long distances and travel times for goods to market, and address issues of transportation system continuity.

Final Environmental Impact Statement, Aroostook County Transportation Study (FHWA-ME-EIS-02-1-F) (Dec. 2009) at S-3.

MMA's proposed abandonment would further exacerbate the significant economic problems being experienced by the rural populations of northern Maine, whose poverty rates are at 15-16 percent, well above those of the rest of Maine and the United States. *See* U.S. Census Bureau Small Area Income and Poverty Estimates. Additionally, the proposed MMA abandonment would severely exacerbate problems

facing the transportation systems of northern Maine, which are already inadequate and inefficient and have acute safety problems:

> Aroostook County has a limited transportation system that presents access and mobility challenges to, from, and within the county. Poor mobility in turn limits economic opportunity. The regional transportation system of 2-lane highways, often extending through downtown centers, does not provide direct, efficient connections between population and commercial, industrial, and agricultural centers . . . to the high speed Interstate highway systems of Maine . . . . Many highways in Aroostook County have geometric and safety deficiencies that make it difficult for commercial vehicles to travel safely. Farming and forestry are the chief economic activities in Aroostook County, resulting in disproportionate numbers and percentages of heavy trucks as compared to all other vehicle types. The preponderance of heavy trucks causes functional conflicts between through traffic (trucks) and local traffic in downtown areas and also causes functional conflicts between through traffic (trucks) and local traffic in downtown areas and also causes congestion and safety problems. Travel times between points within northern Aroostook County, and between the Study Area and external points, hamper the mobility of goods and people, and thus increase the cost of goods brought in and goods sold to market. The additional travel and delivery costs affect the local economy, and reduce job opportunities. The existing highway system connecting the county's major population and commercial, industrial, and agricultural centers with each other, [and] the I-95 . . . does not have a consistent cross-section and consistent speed, has dramatic speed differentials between rural and developed areas and between different vehicular types. The limited highway system does not provide efficient access to jobs and services.

Maine Department of Transportation, Tiger Grant Application, Caribou Connector (submitted Sept. 15, 2009) at 5-6 (citation omitted).

MMA's proposed abandonment would wreak havoc on regional economic sustainability and development efforts by eliminating a critical transportation system component, rail service, and putting additional pressures on the inadequate regional highway systems. The result would be to sever the region's vital transportation connections to the rest of the state, the North American rail system, and important markets, and significantly undermine economic development objectives.

* * *

In this case, weighing all of the relevant factors, including the fact that the profitability of the line does not adequately take into consideration realistic and planned traffic volume levels, the industries MMA serves (including LP) are rail dependent, rail abandonment would have potentially devastating impacts on businesses (including LP) located on the abandonment lines (as a result of increased transportation costs), and the associated socio-economic and cumulative impacts (including consumer and employment impacts), the public convenience and necessity do not support discontinuance or abandonment. This conclusion is further supported in light of the fact that the proposed action would have serious adverse impacts on rural and community development in an economically depressed area in northern Maine, which impacts are given special consideration in rail abandonment proceedings by law. As stated, LP has made in excess of a $140 million investment in these communities, and other important investments have been made by the forest products industry and other industries of the region in reliance on continuing rail service. On balance, any continued drain on MMA of operating the line,

even if it could demonstrate that it is losing a small amount of revenues during the current economic recession, pales in comparison to the investments LP and other businesses have made.

Furthermore, this case is precedent setting and requires MMA to make more of a demonstration than it has to justify granting abandonment. First, it is clear that the recession and unprecedented decline in home building over the last two years have caused a drastic decrease in shipments of core lumber and wood products, but MMA has failed to show that these effects of the current recession either threaten its ability to survive until traffic levels are restored post-recession, or that the lines in question cannot be operated profitably at post-recession traffic levels. At a minimum, should the Board find that it has significant questions as to the future business prospects of MMA, it should require MMA to restate its traffic, operating, and revenue and profit assumptions using realistic traffic projections for periods following the current recession including but not limited to the additional expected LP Houlton traffic. MMA also should be required to restate its line rehabilitation costs, which are grossly overstated.[2]

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[2] While MMA seeks significant rehabilitation costs which it claims are needed to maintain and upgrade its track to FRA class 1 and class 2 condition, such rehabilitation expenses are clearly overstated and inappropriate, as the lines are not required to be operated at these levels in order to meet the needs of MMA's customers. *See, e.g., CSX Transportation, Inc. – Abandonment – Between South Hardeeville and North Savannah in Jasper County, SC, and Chatham County, GA*, ICC Docket No. AB-55 (Sub-No. 469) (ICC served Dec. 10, 1993), 1993 WL 514441 at *2, *5 (rehabilitation costs are overstated for a line that can be operated at Class I or lower level to meet customer needs); *Boston & Maine Corporation – Abandonment and Discontinuance of Service – In Middlesex County, MA*, STB Docket No. AB-32 (Sub-No. 74) (STB served Sept. 10,

Second, no abandonment application approved by the Board in recent years has had the type or level of impacts presented by the present application. In its Application, MMA concedes that, even in the past year (year ending September 30, 2009), during a time period of enormous national and regional economic turmoil and decline, the MMA still moved 9,200 carloads of rail traffic over the lines it seeks to abandon – an amount far greater than normally seen in Board abandonment proceedings.

Third, no state has seen the prospects of having rail service completely eliminated for such a substantial portion of its geography as that presented by the MMA Application. The impacts of MMA abandonment on the local communities, the larger region, and national and international objectives of promoting economic integration, and maintaining adequate rail facilities and infrastructure, would be significant. In this respect, the MMA Application must be carefully reviewed in light of *current* national policy goals and objectives, and not in light of the disparate circumstances that may have been present several decades ago.

For example, it is well-documented that prior to 1980 there were excessive and redundant rail lines in a number of areas of the Country. One of the goals of the Staggers Rail Act of 1980 was to shore-up a financially ailing railroad industry that had been compelled to hold-on to some underutilized assets by, *inter alia*, streamlining and liberalizing the abandonment process and rules. These policy goals, of course, have now

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1996), 1996 WL 512019 at *4-*5 (rehabilitation costs may include only what is necessary to meet FRA class 1 safety standards and serve the needs of customers).

been largely achieved.[3] Today, with railroad consolidation and elimination of excess line capacity having largely been accomplished over the past 30 years, many railroads now are emphasizing the need to *increase* and *expand* rail capacity to meet expected demand,[4] and are further touting the benefits of moving more freight by rail to promote energy conservation and national energy policy goals, while diverting trucks from congested highways in the Northeast and elsewhere.[5]

Evaluating the MMA Application in light of current policy goals, it is important to reemphasize that MMA remains the exclusive rail carrier serving northern Maine. LP and other businesses of the region have relied on continuing service as an essential means of moving incoming and outgoing commodities and products into commerce and to sustain and grow their businesses. The abandonment of lines would likely be irreversible, producing far ranging and permanent adverse impacts on LP Houlton and the entire region.

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[3] Even with the recent influx of shortline and regional railroads, total miles of road and miles of track operated by railroads have significantly decreased in the 30 years since the Staggers Act was passed. *See, e.g.*, Association of American Railroads, *Railroad Facts (2009 Ed.)*, at 45.

[4] *See, e.g., AASHTO Report* at 57-61.

[5] This theme of promoting cost-effective and environmentally beneficial rail service is echoed in several elements of the National Rail Transportation Policy ("NRTP"), which influences the Board's determination under Section 10903. *Inter alia*, the NRTP directs the Board "to ensure the development and continuation of a sound rail transportation system with effective competition among rail carriers and with other modes, to meet the needs of the public and the national defense," and "to encourage and promote energy conservation." 49 U.S.C. § 10101(4), (14).

CONCLUSION

For the foregoing reasons, on balance, the public convenience and necessity do not support discontinuance and abandonment, and the Application should be denied.

Respectfully submitted,

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Dated: April 21, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this 21st day of April, 2010, caused copies of the foregoing Comments and Protest to be served on all known parties of record in STB Docket No. AB-1043 (Sub-No. 1).

Peter A. Pfohl

BEFORE THE
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VERIFIED STATEMENT OF
TRAVIS W. TURNER

My name is Travis W. Turner. I have been employed by Louisiana-Pacific Corporation ("LP") in a variety of operational and managerial positions for the past 17 years, and am presently the Plant Manager of LP's engineered wood manufacturing facility in New Limerick, ME, near Houlton, ME. My business address is PO Box 396, Houlton, ME 04730. I am submitting this verified statement in support of the Comments and Protest being filed by LP against the proposed abandonment by the Montreal, Maine & Atlantic Railway, Ltd. ("MMA") of more than 200 miles of rail lines in northern Maine, including those serving our Houlton plant. The purpose of this statement is to describe the serious harm that LP, and particularly its Houlton plant, will suffer if it loses direct rail service as a result of the proposed abandonment, as well as the dramatic future growth in rail shipments that will come when the plant is operating at capacity if rail service is preserved.

A. Background on LP's Houlton Plant

LP is a leading manufacturer of building products, with over $1 billion in sales in 2009, headquartered in Nashville, Tennessee. One of LP's important strategic business assets is its Houlton plant, which was originally built in 1982 for the manufacture of Oriented Strand Board ("OSB"), a wood-based product that in many ways is superior to, and a replacement for, simple plywood. The Houlton location, which at that time was LP's second OSB facility, offered many advantages: an abundant nearby wood supply (referred to as its "wood basket"), an excellent workforce and supportive community, and a sound transportation infrastructure, including rail, that provided cost-effective access to target OSB markets in the eastern United States and Canada. [1]

LP has always been an industry leader in OSB manufacturing, and as the demand for OSB grew exponentially, LP built additional OSB facilities in other parts of the country. As more and more of those new facilities came on line, the Houlton plant gradually evolved into a regional supplier for the Northeast. One consequence of this shift was that Houlton's reliance on rail service gradually declined because truck transportation was competitive over the shorter distances involved in serving that regional market.

As one might expect, over time the increasing popularity of OSB for residential construction induced numerous competitors to enter the market. As the OSB

[1] We are proud that our Houlton plant was among six Maine companies recently awarded the Governor's Award for Business Excellence, which is provided to companies in Maine that demonstrate a high level of commitment to their community, to their employees, and to manufacturing excellence.

market continued to compress and become increasingly competitive, the older, smaller, less efficient Houlton mill became comparatively less cost competitive. In this fiercely competitive environment, the future of the mill was becoming increasingly uncertain, despite the mill's very strong workforce and excellent wood basket.

B. LP's Development of Laminated Strand Lumber at Houlton

Given the highly competitive nature of the building products industry, with numerous forest and building products firms offering traditional and new building products, it is critical that LP continue its ongoing efforts to produce innovative and value added products if it is successfully to compete and grow as an ongoing business. In 2004, LP had begun research and development efforts for a new strand-based structural composite lumber product. The new product was meant to fill out and differentiate LP's wood-based product lines, which at the time included, in addition to OSB, I-joists and laminated veneer lumber ("LVL"), which are heavier duty and more costly engineered wood products used primarily in residential and light commercial construction. The new product, called "Laminated Strand Lumber" or "LSL," was designed to be a superior substitute for traditional dimensional wood products such as 2 x 4's, yet lower in cost than LVL. LSL is a unique, value added, high-strength and structurally superior American-made product. (The cost and performance advantages of LSL are described in more detail in Exhibit 1 attached to this statement.)

After considering many possible sites for a new LSL manufacturing facility, LP decided to convert the Houlton mill from OSB to LSL – a conversion that took two years, from 2006 to 2008, and required an investment by LP of more than $140

million. Houlton was selected because it already had a high quality sustainable wood basket, experienced employees, community support, and – last but certainly not least – the necessary transportation infrastructure, particularly rail. Indeed, it is my understanding that before LP finally settled on Houlton, LP representatives met with MMA representatives, among others, to explain the changes LP was planning to make to the Houlton operation, and to make sure that the reconfigured plant would have the necessary infrastructure (rail sidings, etc.) to accommodate sufficient rail service. At no point in such meetings did MMA give any indication that continued rail service to Houlton was in jeopardy. It is important to understand that *under no circumstances would LP have invested in the Houlton LSL conversion if reliable rail transport had not been available.*

The Houlton plant is LP's only LSL facility. As such, whereas prior to 2006 the plant had become focused on serving a regional market for OSB, it has now been redesigned and repurposed to serve a nationwide market for LSL.[2] Rail service is therefore vital, as motor carriage is simply not a competitive means for our LSL product to reach distant markets such as California. In short, without economical rail service, the Houlton plant will be unable to compete outside the Northeast.

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[2] This fact is evidenced by the amount of traffic that the Houlton plant moves by rail versus motor carrier. Currently, approximately 65% of LP's market (by volume) is moved from the plant by rail, destined primarily for target markets on the west coast, in the mountain states, and in the southwest and southeast. We project that this percentage of traffic moved by rail will grow going forward as the Houlton plant's production increases.

C. The Houlton Plant's Current and Expected Future Employment, Production, and Traffic Levels

When operating at capacity, the Houlton plant will employ approximately 150 individuals and produce 7 to 8 million cubic feet of LSL per year. Our internal market analyses indicate that more than [redacted]% of that production will be sold in California and other distant markets that can only be served by rail, resulting in outbound shipments of at least 1100-1400 rail carloads per year – perhaps more.

Unfortunately, just as the LSL conversion was completed and our production of LSL was ramping up in 2008, the housing market collapsed with the burgeoning credit crisis, killing the demand for wood based products, including LSL. As a result, the Houlton plant is currently operating at only 17% of capacity, employing only about half of its planned work force and shipping less than 200 rail carloads per year, or less than one-seventh of our target volumes.

In its abandonment application, MMA treats the downward trend in Houlton rail shipments since 1997 as essentially permanent (even though it acknowledges that cyclical downturns in the economy and especially the construction industry have had an impact). With all due respect, *MMA is mistaken.* In the first place, as I previously explained, the decrease in rail shipments from the plant prior to the conversion reflected the plant's increasing focus on selling OSB to nearby customers in the Northeastern region, where truck deliveries were cost-competitive; as such, those pre-2008 trends are of no value as predictors of future LSL shipment volumes. Nor is the current depressed volume of our LSL rail shipments a reliable indicator of what is to come. Rather, we

remain convinced that our planned increases in the volume of Houlton's LSL rail shipments have only been *delayed*, not canceled – assuming of course that rail service to the plant remains available. We say this because the demand for wood-based building products, including engineered wood products such as LSL, is a direct function of the demand for new residential construction, and in the long run the demand for new housing is the product of demographic forces that have not fundamentally changed. (This is not just the considered judgment of LP, which has been in the construction supply business for decades; it is a judgment shared by others in the industry, as well as noted experts in the field, *see* Exhibit 2, which was prepared by APA, the Engineered Wood Products trade association, and is based upon studies conducted at Harvard University.)

At this point, our best projections are for maximum production levels – and corresponding rail shipments – to be achieved in three to five years, based on the experts' predictions of a gradual recovery in the housing market. Moreover, while of course I cannot speak for other shippers on the lines that MMA seeks to abandon, insofar as they are involved in supplying the housing industry they too should benefit from that recovery. The bottom line is that MMA's use of the years 2008-09 as the basis for its dismal projections of future traffic levels makes its projections wholly unreliable.[3]

[3] MMA suggests that shippers forecasting future increases in rail traffic should be required to supply material evidence that such increases are not simply speculative, but will actually materialize. Our forecasts are based on our best projections of production, which is driven by housing start projections, and on the fact that in order to run at capacity, LP's key markets must be served by rail. Of course we cannot control the housing market, but our business success depends upon planning which in turn depends on reliable housing market projections, and we are basing our own planning on a gradual

D. Impact of Loss of Rail Service on LP's Houlton Plant

MMA acknowledges that LP and other rail-dependent shippers on its lines will continue to need rail service to reach distant markets for which through truck transport is not a cost-effective alternative, but MMA suggests that we can simply switch to truck-rail transloading, using any of a number of nearby transloading facilities (including one or more operated by an MMA affiliate).[4] Unfortunately, however, transloading is not a viable alternative for shipping LSL from Houlton to our more distant markets. For one thing, we have customers who prefer to receive their LSL shipments in lengths exceeding 48 feet, and then trim the product themselves to meet the specific needs of their customers. Trucks, however, are limited in their ability to handle lengths in excess of 48 feet. (This may account for the fact that even some of our nearby customers, who are within trucking distance, elect to receive their orders by rail.) Moreover, our research indicates that the total additional cost of converting from direct rail to transloading would be between $[redacted] and $[redacted] per carload of LSL, or

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housing recovery to pre-2008 levels in three to five years. Moreover, the best evidence of our commitment to this market, and to increased rail shipments, is our recent investment of more than $140 million in the new LSL plant.

[4] MMA does not contend that intermodal service would be a viable alternative for us, and in fact it is not: as noted in the body of this statement, some of our customers want to receive LSL in lengths which cannot be handled by truck – or be fit into an intermodal container. Moreover, few if any of our customers have the equipment that would be required to unload containers.

approximately $[redacted] per cubic foot (*see* highly confidential Exhibit 3).[5] While this may not seem like a large increase, in the context of the wood products industry in which LP operates, these increases are very substantial, and for transloading to be viable these added costs would have to be absorbed by LP and/or LP's customers. Historically, engineered wood products have had a low profit margin, even in good years, of about [redacted]%, and LP simply could not afford to absorb such cost increases on a long-term basis. Our customers, on the other hand, will generally be unwilling to absorb such a cost increase when they have other, more economically and geographically advantaged product alternatives. In particular, the only other LSL manufacturing facility in North America, located in Ontario and operated by one of our competitors, will continue to enjoy direct rail service and thus will not experience a similar cost increase for transloading. More broadly, engineered wood products must compete with inferior but cheaper alternatives such as standard dimensional lumber. If the delivered cost of our product increases in comparison to such alternatives, many of our customers will either

[5] LP's transloading study, conducted when we first learned that MMA was contemplating the abandonment of service to Houlton, entailed extensive discussions with multiple transloading facility operators, as well as with the railroads serving each of them, as we tried to find the best, least cost transload alternative to direct rail service. Our study, the results of which are summarized in highly confidential Exhibit 3, took into account the cost of four trucks traveling the distance between LP Houlton and a reload facility, and the cost of having the product loaded and strapped by the transload operator. We found that these numbers do not change much depending on the proximity of the transload facility to Houlton. If a facility is within 100 miles of the plant, LP has to pay higher trucking fees than standard mileage because of the length of time associated with loading and unloading the trailer. The trucking company spends more time waiting to be loaded and unloaded than moving the product, and has to be compensated for their time.

buy from our competitor, or else simply revert to using standard lumber. For these reasons, if we lose direct rail service and transloading becomes the only alternative for reaching distant markets, the most likely result would be the loss of our competitive access to [redacted]% to [redacted]% of our markets, casting grave doubt on our ability to reach economically viable production levels at Houlton, and putting the plant's very survival in jeopardy.

* * *

To summarize, LP recently invested more than $140 million in the conversion of its Houlton plant to LSL production, in explicit reliance on the availability of direct rail service. If MMA is now allowed to abandon its lines and terminate that service, not only will LP's chances of recovering a decent return on its $140 million investment be diminished, but the long run economic viability of the plant, and indeed its very survival, will be imperiled. The result, if our Houlton plant is forced to close, would be the loss of 150 jobs at the plant itself, plus an estimated 250-300 community and supplier jobs that depend indirectly on the plant and the spending of its employees. The economic impact of such job losses on the surrounding community would be devastating.

VERIFICATION

STATE OF MAINE)
) **ss:**
COUNTY OF AROOSTOOK)

I, Travis W. Turner, verify that I have read the foregoing Statement, know the contents thereof, and that the same are true as stated to the best of my knowledge, information and belief.

Subscribed and Sworn to before me

this 5 day of April, 2010.

Regina A. Hardy
Notary Public

REGINA A HARDY
Notary Public, Maine
My Commission Expires May 15, 2016

My Commission expires:

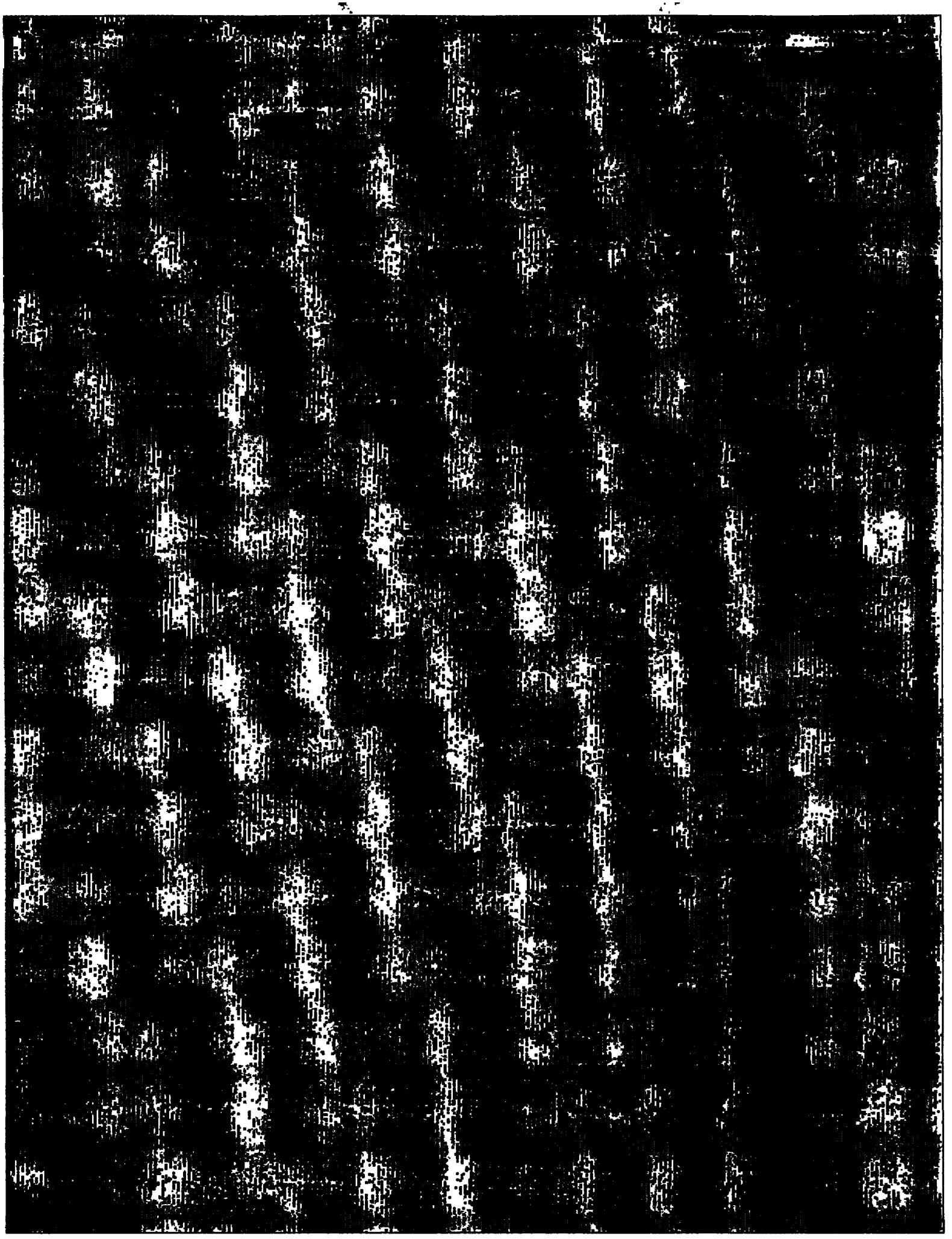
EXHIBIT 1

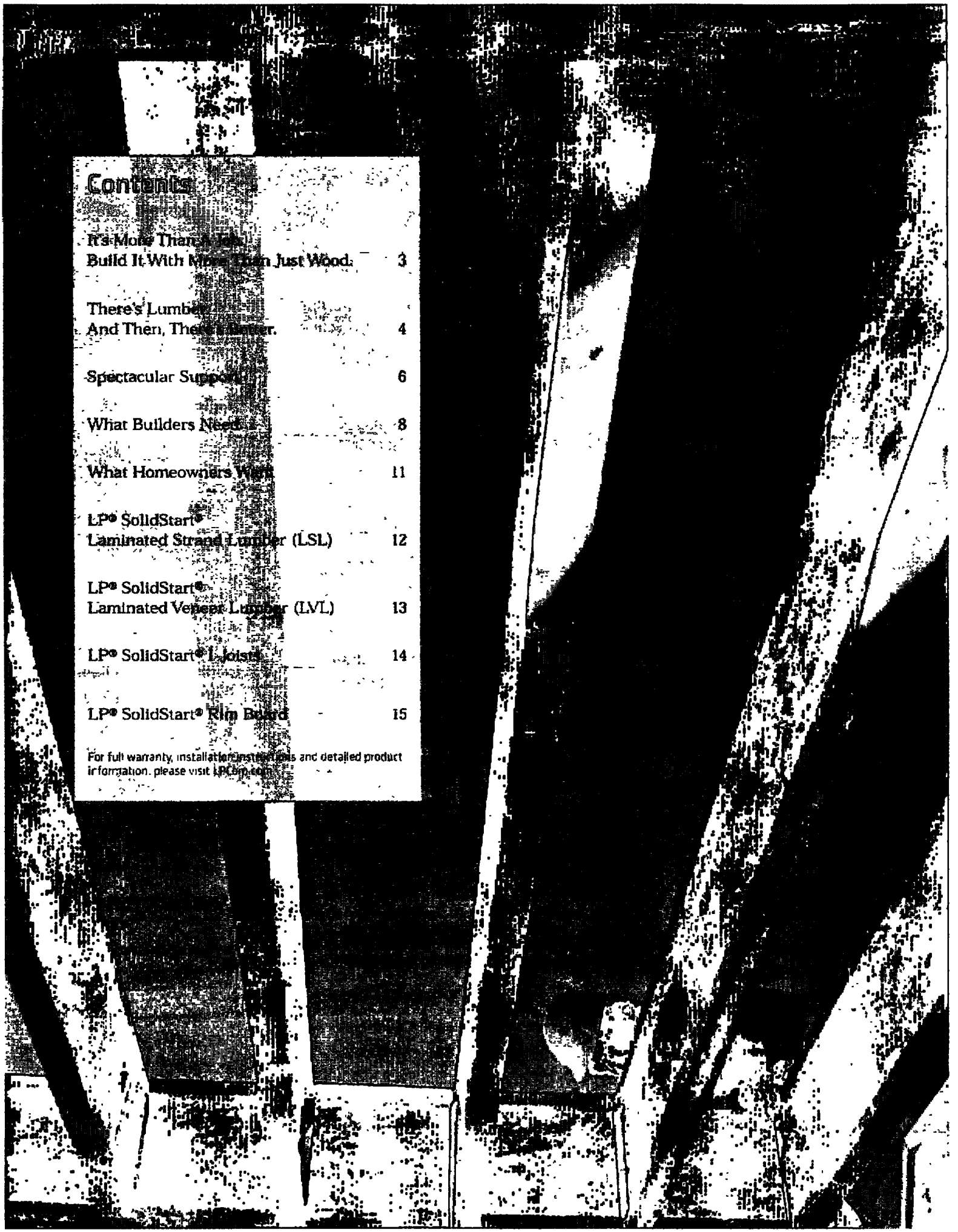
LP SolidStart®

ENGINEERED WOOD PRODUCTS

PRODUCT PORTFOLIO

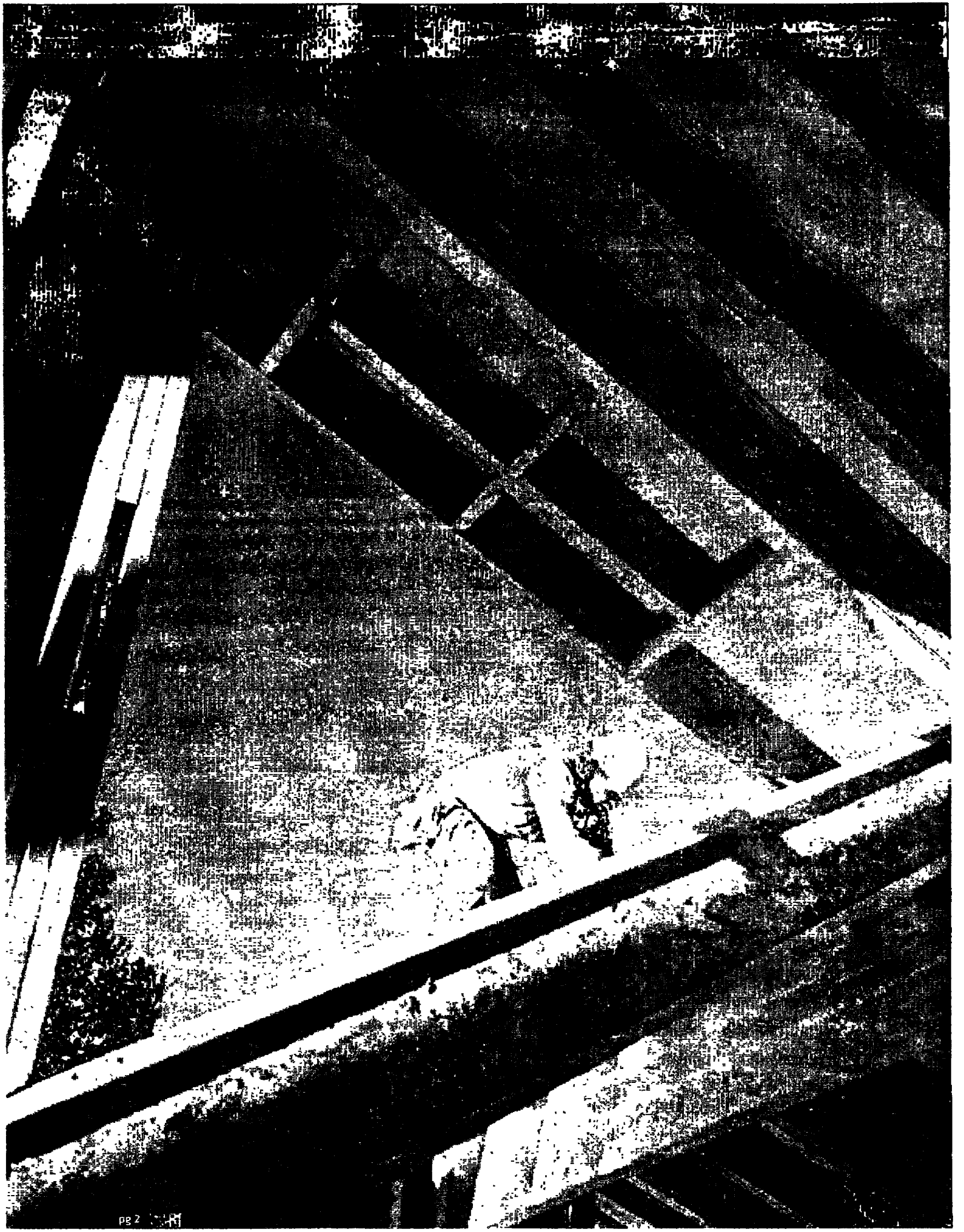
BUILT WITH US





Contents

For full warranty, installation instructions and detailed product information, please visit LPCorp.com.



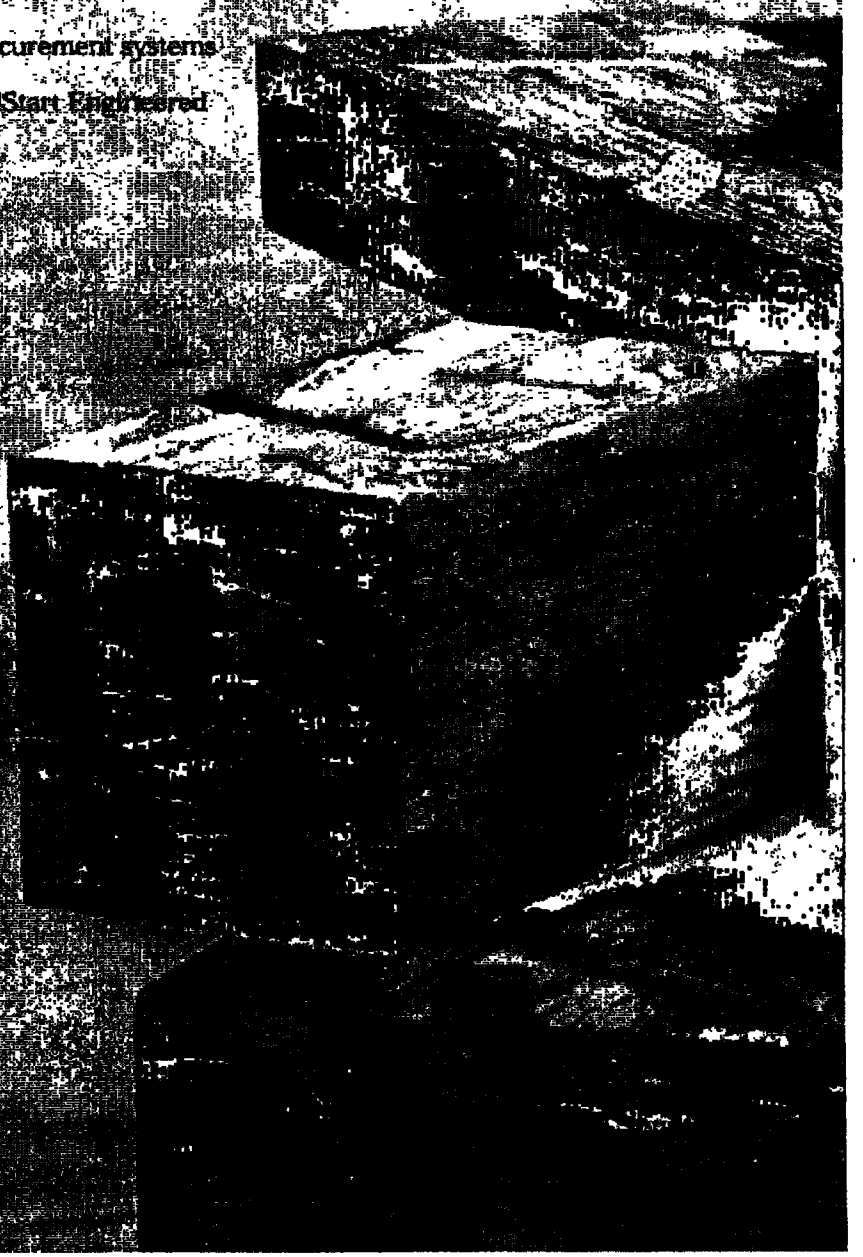
It's More Than A Job. Build it With More Than Just Wood.

It's more than a job. More than a structure. It's a home. That's why America's leading builders rely on engineered building materials from LP Building Products. Our materials offer cost efficiencies and sustainability benefits that traditional lumber can't match. When it comes to strength, durability and consistency, they're designed to outperform wood every time. Generations of families will count on your homes to stand up to Mother Nature's worst. Build them with the very best: engineered building materials from LP Building Products.

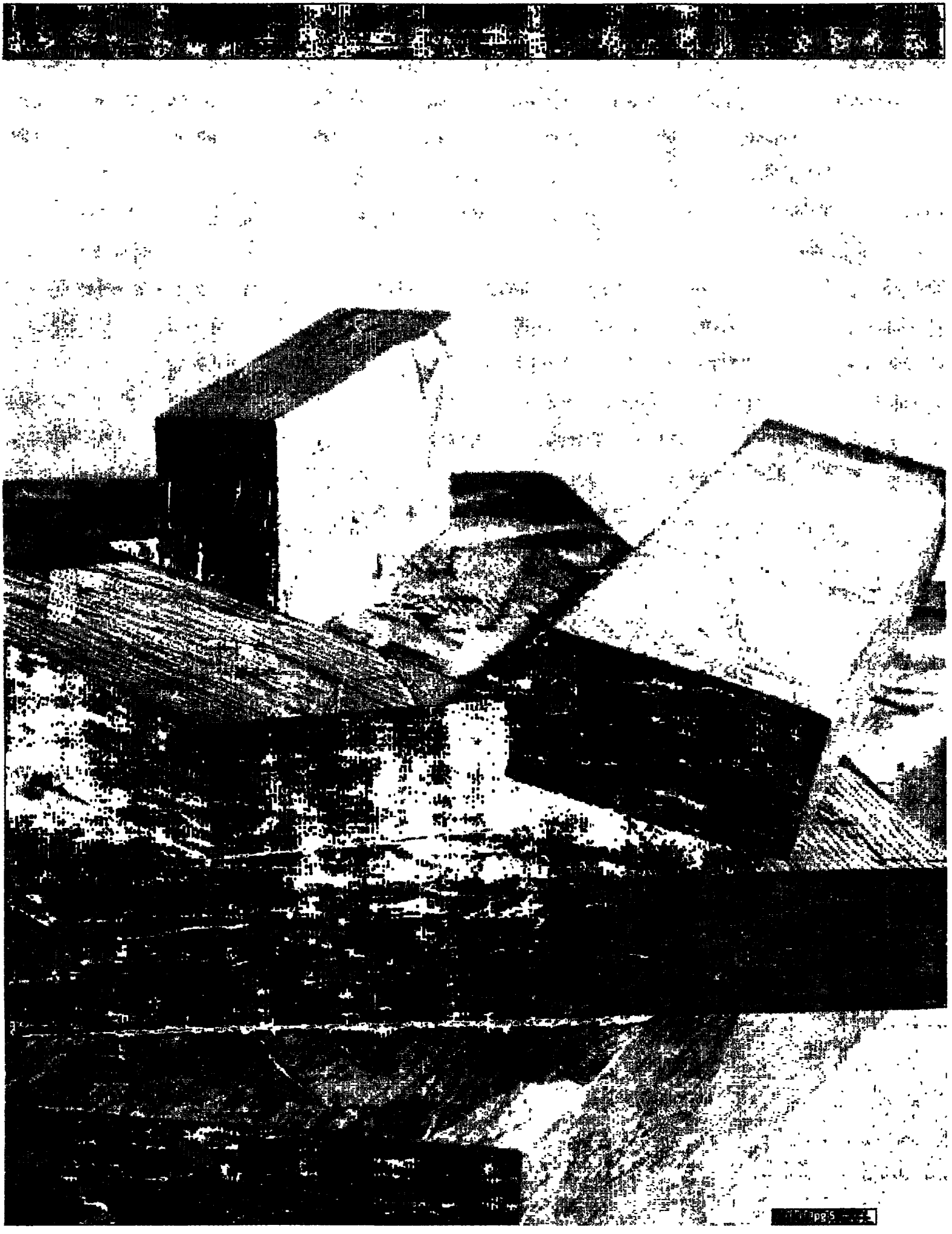
There's Lumber. And Then, There's Better.

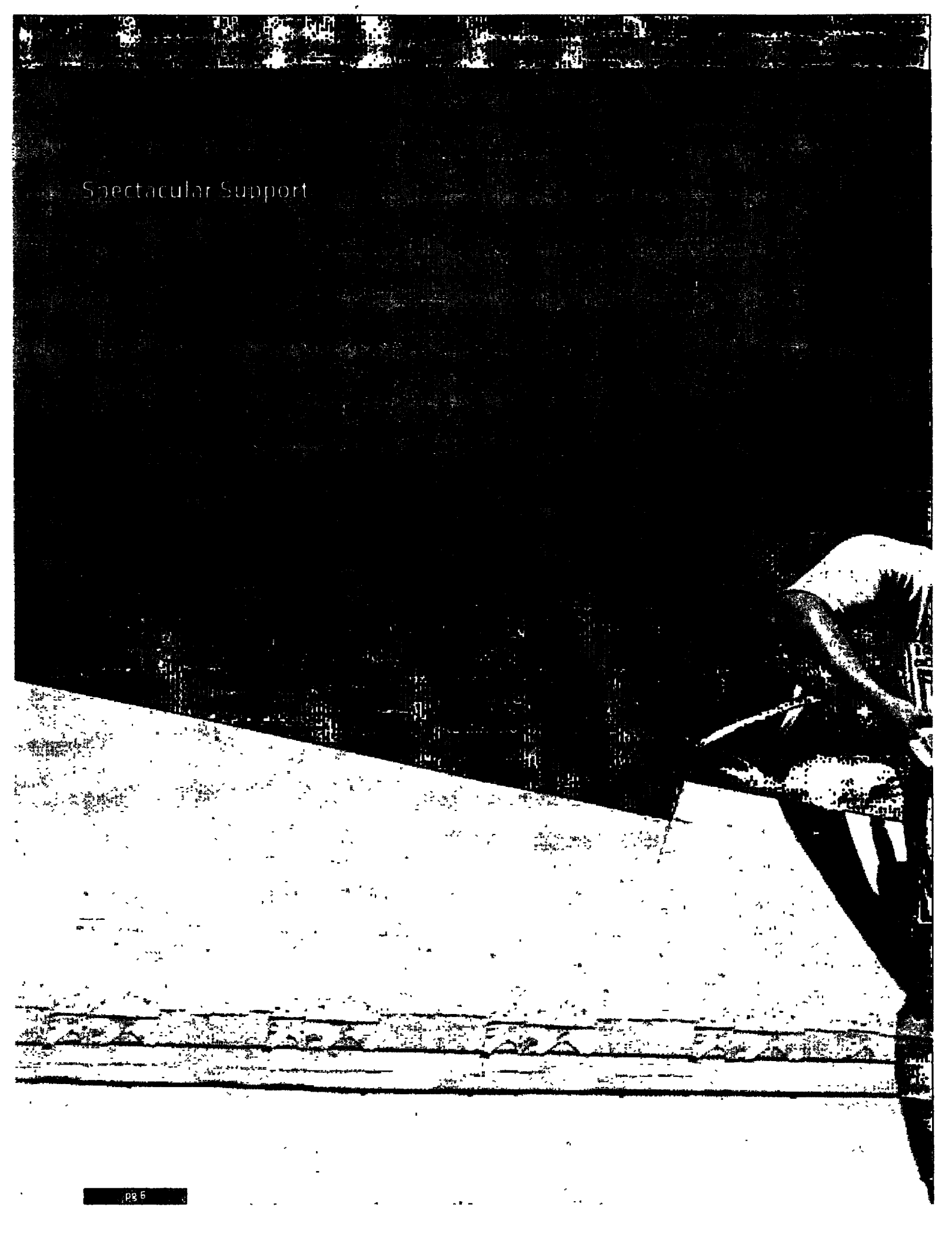
Your reputation is built on the strength of your materials. So it makes sense to build with LP® SolidStart® Engineered Wood Products. Our advanced technology actually improves upon nature, creating products that are more consistent and free of knots and voids. That means you're able to build stronger homes without culling through stacks of lumber searching for good pieces of wood—resulting in a lot less waste on the job site.

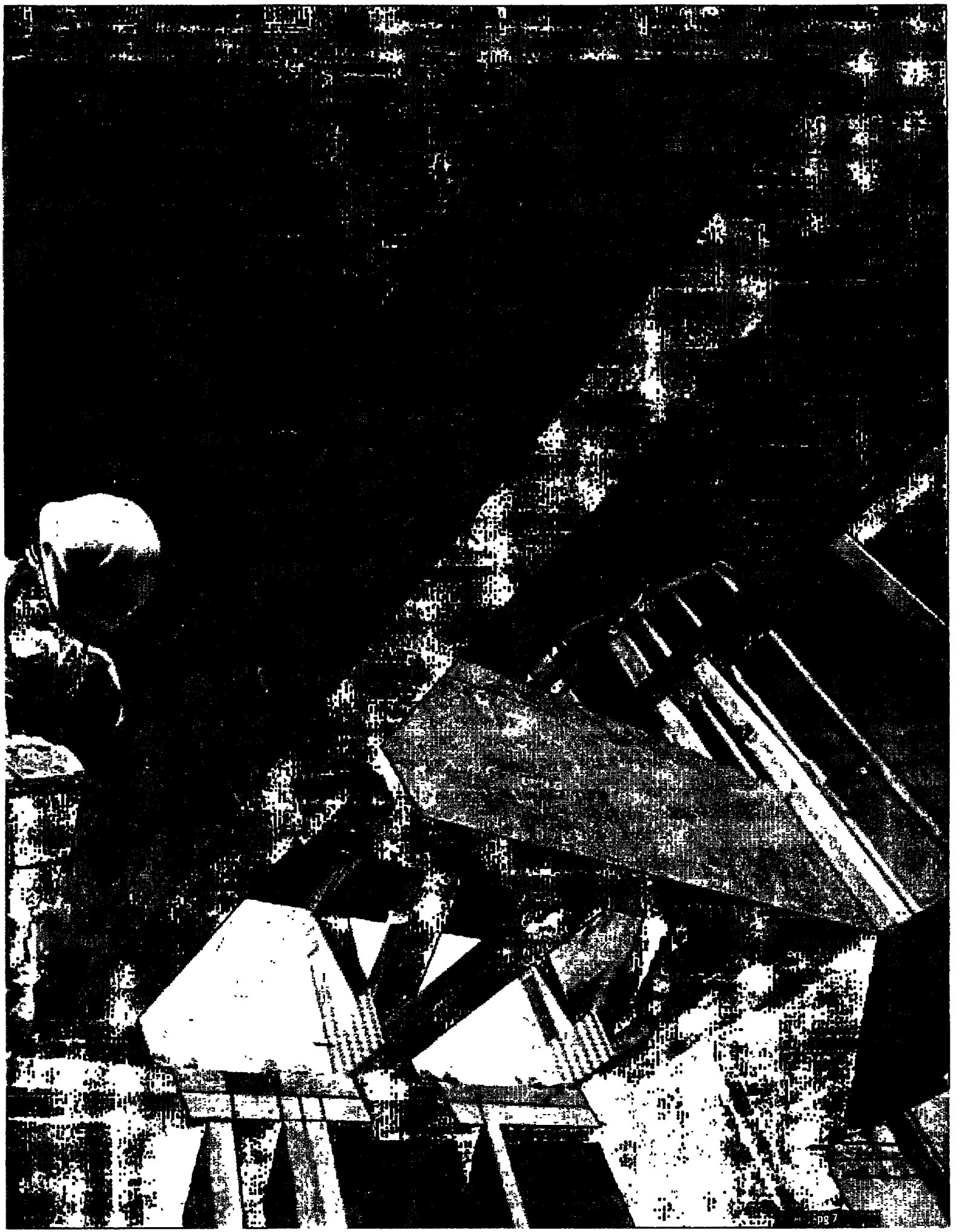
In addition to their remarkable consistency, engineered wood products also resist twisting, warping, cupping and shrinking, so they're easier to work with than traditional lumber. Plus, LP uses forest management and procurement systems that are SFI® certified. That helps ensure LP SolidStart Engineered Wood Products come from well-managed forests.



LP SOLIDSTART




Spectacular Support



What Builders Need

Each product in the LP SolidStart® Engineered Wood Products family is remarkable in its own right. Each delivers real advantages in terms of quality, consistency, durability, strength and ease of installation. Best of all, LP SolidStart products work together in an unbeatable building system that delivers practical advantages during construction and for decades to come.

Because LP SolidStart products are available in longer lengths than traditional lumber, they offer greater design flexibility, faster installation and less waste. They're typically lighter in weight as well, making them faster and easier to work with. The elimination of knots and voids means no time wasted culling lumber on-site. And, of course, all LP SolidStart products have evaluation reports from major code agencies. So you have the details you want and can supply building officials with the information they need.

When you build with LP SolidStart Engineered Wood Products, you get more than great materials. You also gain access to a variety of LP customer support services that give you everything you need to complete a project successfully.


pg 9


Jpg 10

What Homeowners Want

Homeowners will enjoy the benefits of LP® SolidStart® Engineered Wood Products for years to come. These products are more dimensionally stable than traditional lumber. Less shrinking or twisting means floors are less likely to squeak or creak. Longer, stronger lengths mean ceilings and floors can be designed for maximum performance with reduced risk of cracked finishes. It all adds up to higher satisfaction and greater value over the life of the investment backed by a Lifetime Limited Warranty.*

LP® SolidStart® Engineered Wood Products

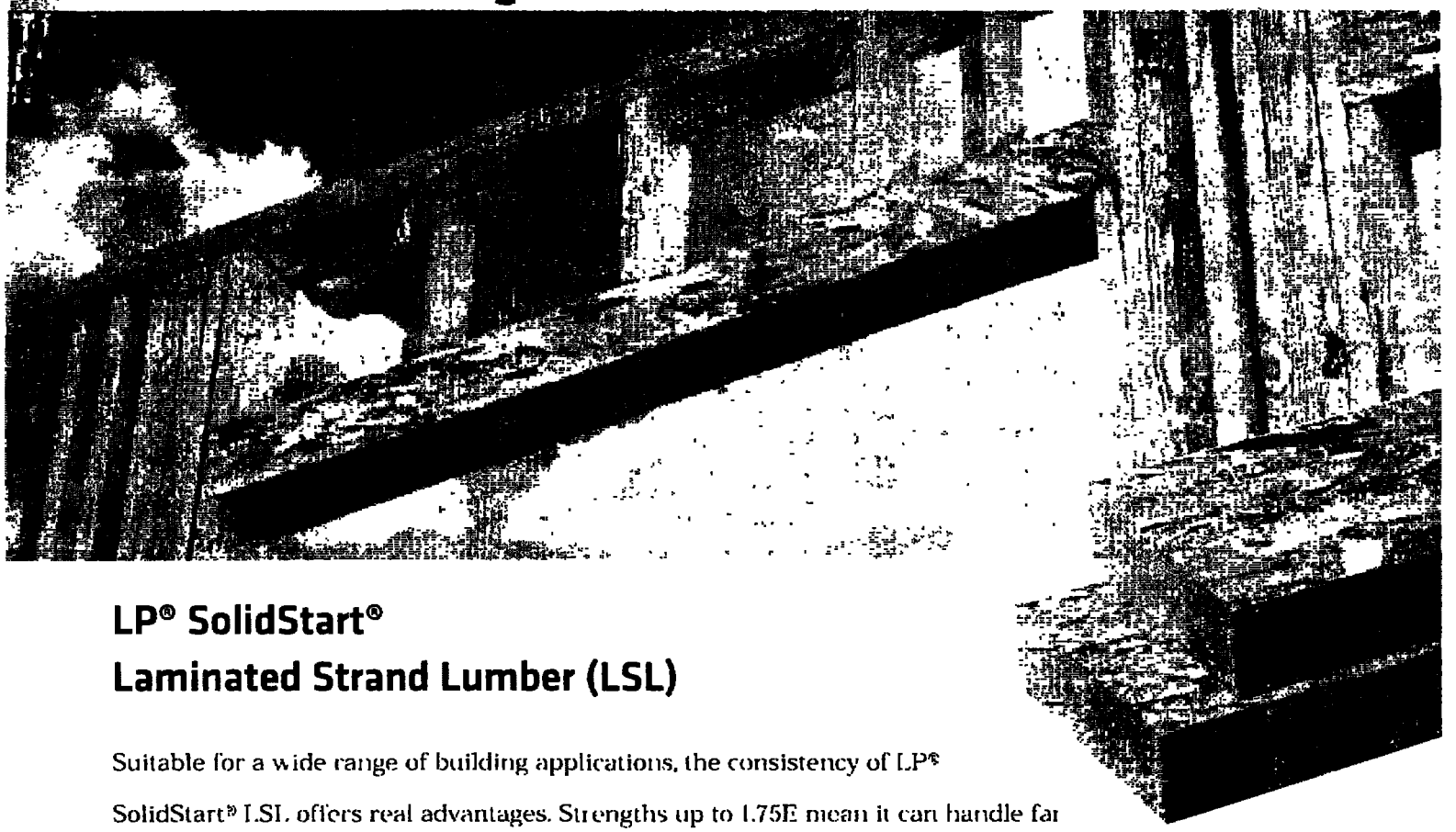
LP® SolidStart® Laminated Strand Lumber (LSL)

LP® SolidStart® Laminated Veneer Lumber (LVL)

LP® SolidStart® I-Joists

LP® SolidStart® Rim Board

LP® SolidStart® Engineered Wood Products

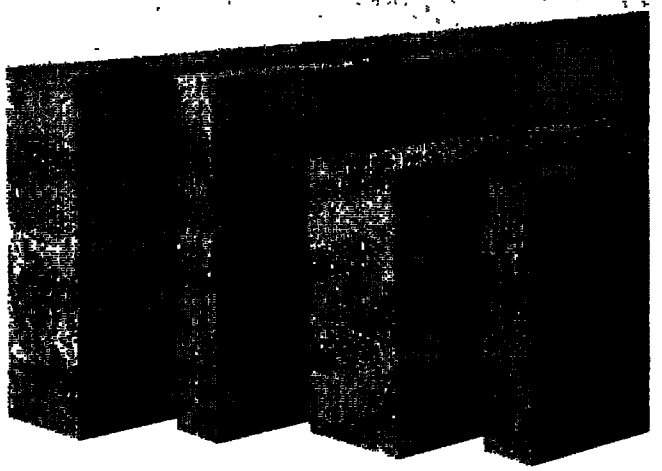


LP® SolidStart®
Laminated Strand Lumber (LSL)

Suitable for a wide range of building applications, the consistency of LP® SolidStart® LSL offers real advantages. Strengths up to 1.75E mean it can handle far longer spans than traditional lumber, so there's no need to spend extra time and material building up beams or headers. Deeper depths and longer lengths deliver greater design flexibility. Edges and ends are sealed for added moisture protection. Like all LP SolidStart Engineered Wood Products, LP SolidStart LSL resists twisting, warping, cupping and shrinking.

LP SolidStart	PRODUCT	THICKNESSES	DEPTHS	GRADES
LSL	LSL	1-1/2", 1-3/4", 3-1/2"	3-1/2", 5-1/2", 7-1/4", 9-1/2", 11-7/8", 14", 16", 18", 20", 22", 24"	1.75E, 1.55E, 1.35E

LP SOLIDSTART®
ENGINEERED WOOD PRODUCTS

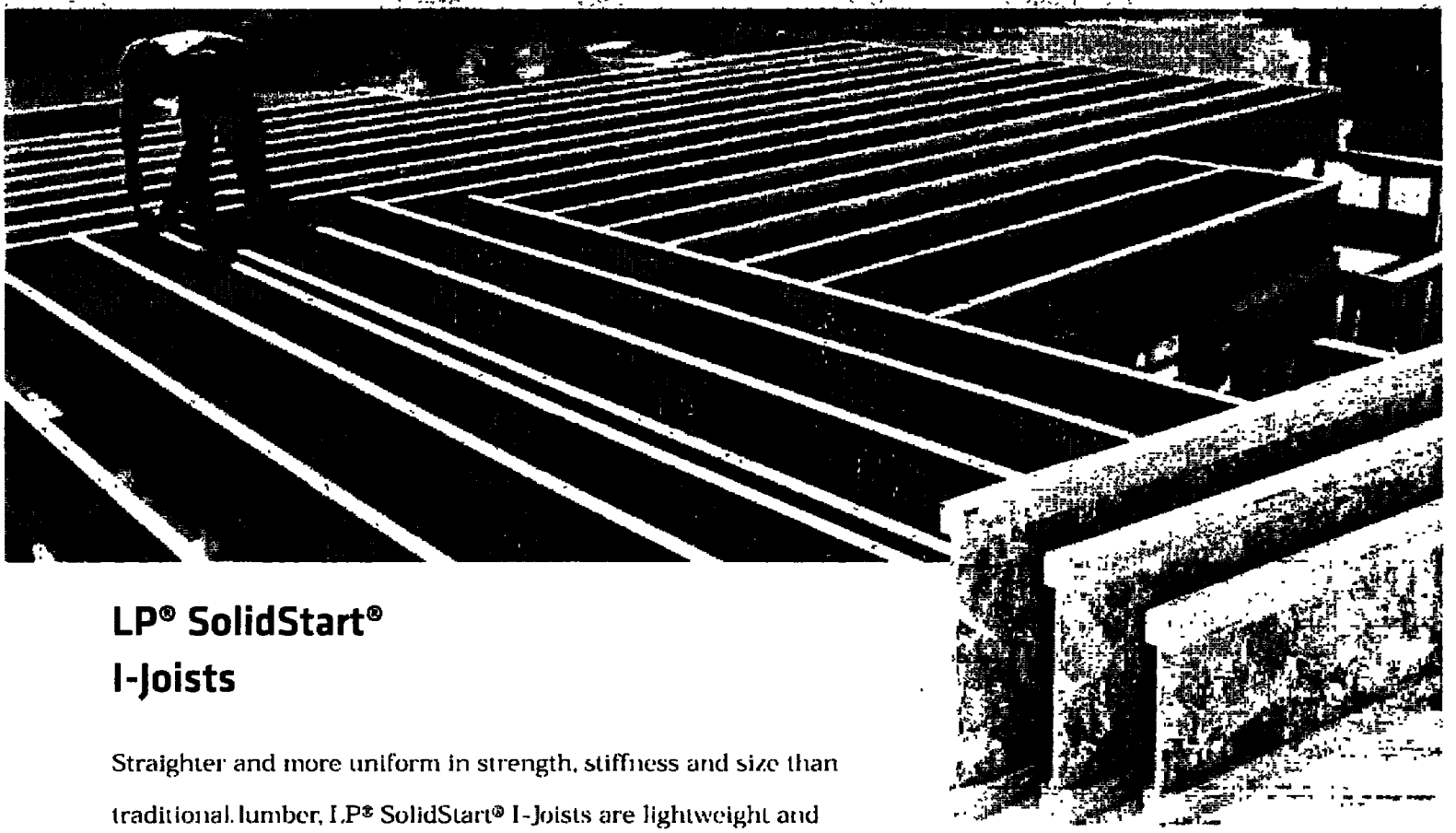


LP® SolidStart®
Laminated Veneer Lumber (LVL)

Created with ultrasonically graded veneers and bonded with exterior grade adhesives, LP® SolidStart® LVL delivers greater load-carrying capacity than traditional lumber. A combined variety of widths and lengths beyond those of traditional lumber means LP SolidStart LVL provides tremendous design flexibility. LP SolidStart LVL also offers consistent dimensions, enhanced durability and reduced shrinkage. Strong, solid and straight, LP SolidStart LVL is excellent for all load-bearing applications. Also available with a weather-resistant coating.

	PRODUCT	THICKNESSES	DEPTHS	GRADES
LP SolidStart LVL	LVL	1-1/2", 1-3/4"	7-1/4", 9-1/2", 11-7/8", 14", 16", 18", 20", 22", 23-7/8"	2.0E, 1.9E, 1.5E
	LVL Billet Beam	3-1/2", 5-1/4", 7"	7-1/4", 9-1/2", 11-7/8", 14", 16", 18"	2.0E

LP SOLIDSTART
ENGINEERED WOOD PRODUCTS



LP® SolidStart® I-Joists

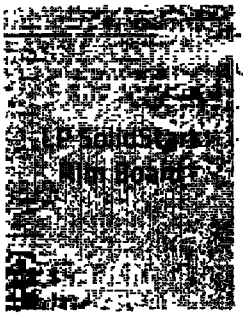
Straighter and more uniform in strength, stiffness and size than traditional lumber, LP® SolidStart® I-Joists are lightweight and available in longer lengths and deeper depths as well. This means that even large floors can be created with fewer pieces, helping to reduce installation and materials costs. LP SolidStart I-Joists can be cantilevered to accommodate different floor framing details, and are also suitable for roof framing. In fact, they're ideal for creating popular styles like cathedral ceilings. LP SolidStart I-Joists are available with traditional lumber or engineered LVL flanges in a variety of flange widths.

	SERIES	FLANGE WIDTH	FLANGE MATERIAL	DEPTHS
LP SolidStart I-Joists	LPI 20Plus and 32Plus	2-1/2"	Solid Sawn	9-1/2", 11-7/8", 14", 16"
	LPI 42Plus	3-1/2"	Solid Sawn	11-7/8", 14", 16"
	LPI 36	2-1/4"	LVL	11-7/8", 14", 16", 18", 20", 22", 24"
	LPI 56	3-1/2"	LVL	11-7/8", 14", 16", 18", 20", 22", 24"

LP SOLIDSTART®
ENGINEERED WOOD PRODUCTS

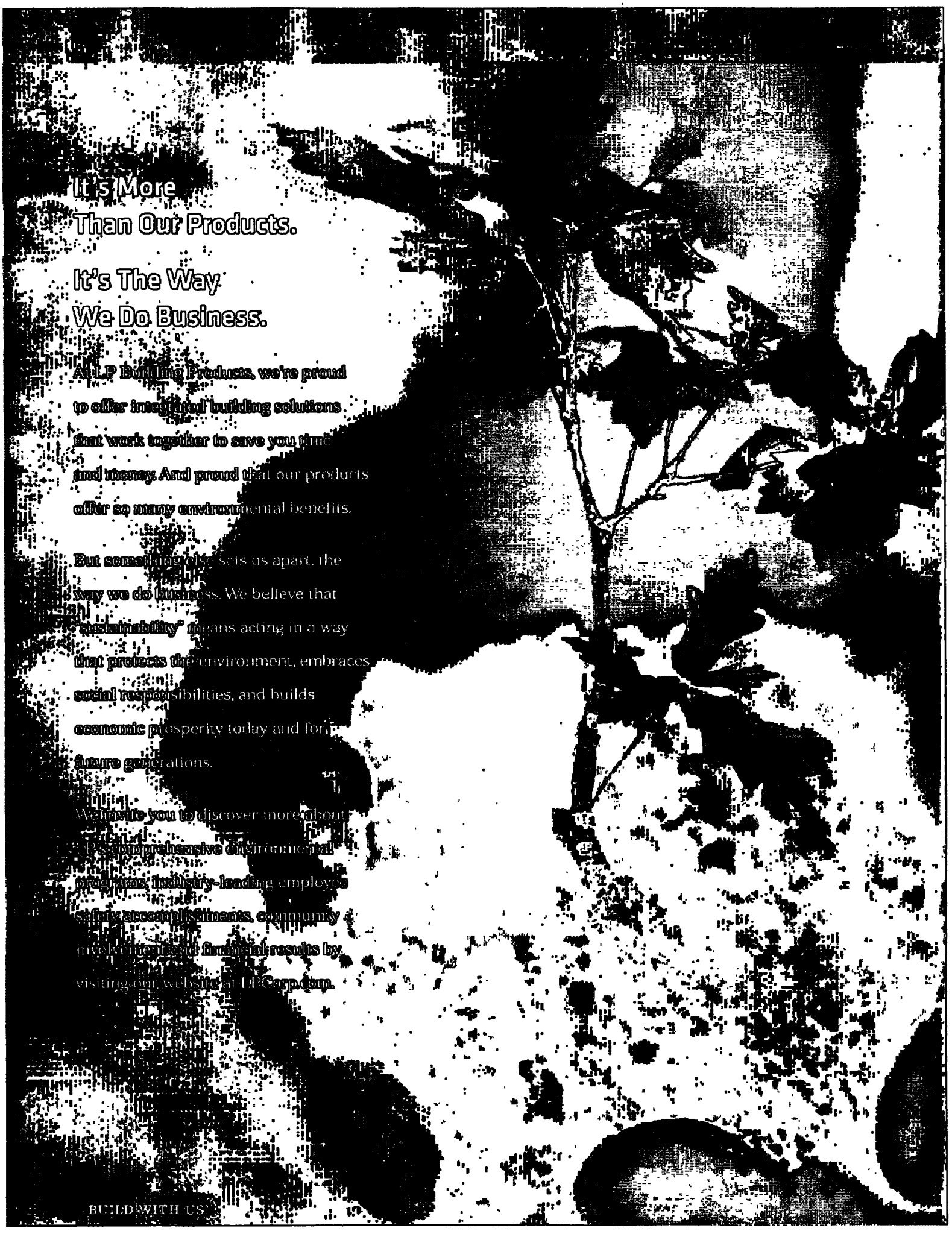
LP® SolidStart® Rim Board

Manufactured for strength and consistency, our rim board products are precision cut to work perfectly with LP SolidStart I-Joists and LVL and LSL beams. That makes them ideal for supporting vertical and lateral wall loads as part of a floor or roof framing system. Options include rim board manufactured from LSL, LVL or OSB in a wide range of depths and thicknesses. LP® SolidStart® Rim Board speeds construction by eliminating the need for field-ripping and creating flat surfaces for siding installation. High load capacity eliminates the need for squash blocks in most multi-story applications.



PRODUCT	THICKNESSES	DEPTHS	STANDARD LENGTHS
OSB Rim Board	1", 1-1/8"	9-1/2", 11-7/8", 14", 16", 18", 20", 22", 24"	12', 16'
LVL Rim Board	1-1/4"	9-1/2", 11-7/8", 14", 16", 18", 20", 22", 24"	12', 16'
LSL Rim Board	1-1/4", 1-1/2"	9-1/2", 11-7/8", 14", 16", 18", 20", 22", 24"	12', 16'

LP SolidStart® ENGINEERED WOOD PRODUCTS


It's More
Than Our Products.
It's The Way
We Do Business.
At LP Building Products, we're proud to offer integrated building solutions that work together to save you time and money. And proud that our products offer so many environmental benefits.
But something else sets us apart, the way we do business. We believe that "sustainability" means acting in a way that protects the environment, embraces social responsibilities, and builds economic prosperity today and for future generations.
We invite you to discover more about LP's comprehensive environmental programs, industry-leading employee safety accomplishments, community involvement and financial results by visiting our website at LPCorp.com.
BUILD WITH US!

Build With The Best, Only From LP Building Products:

LP TopNotch
SUB-FLOORING

The only sub-flooring with a built-in self-draining system. LP® TopNotch® products use our patented notch system to keep rainwater from collecting on the surface. OSB construction ensures strength and stability, while our tongue-and-groove design makes installation fast and easy.

LP TechShield
RADIANT BARRIER

Laminated directly to our OSB sheathing, LP® TechShield® Radiant Barrier Sheathing installs just like conventional roof sheathing, so there are no added installation costs. LP® TechShield® Sheathing is made using our patented post-laminated foil-reinsing process.

LP CanExel
PREFINISHED SIDING

Available in 15 beautiful, nature-inspired colors, LP® CanExel® products combine all the advantages of engineered wood with all the advantages of prefinished materials. Five layers of baked-on paint and sealer ensure years of enduring beauty.

LP SmartSide
TRIM & SIDING

LP® SmartSide® sets the standard for durability with a complete line of trim, fascia, soffit, lap and panel offerings. Our proprietary SmartGuard® process creates materials that resist both termites and fungal decay. All products deliver a natural look with the advantages of engineered wood.

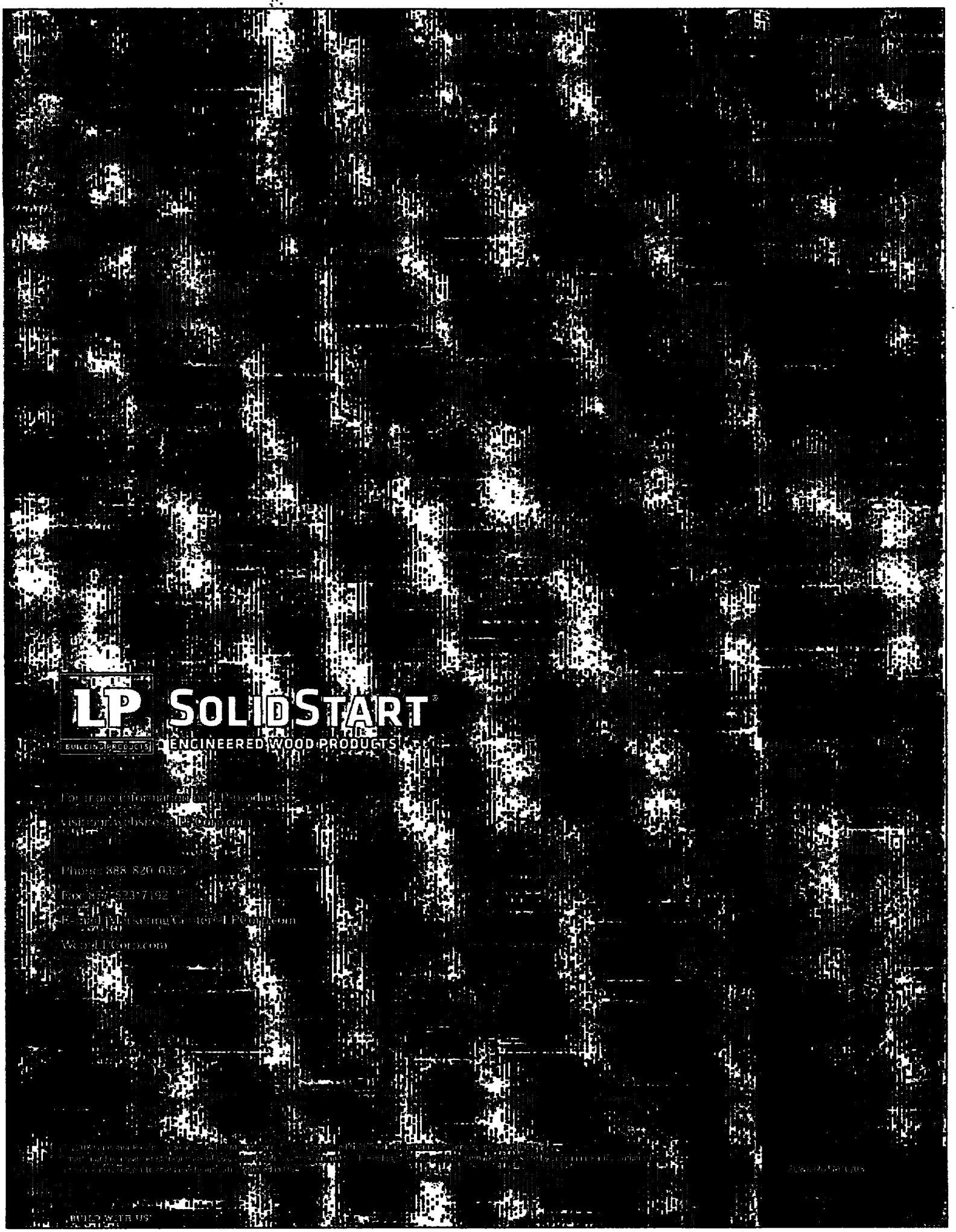
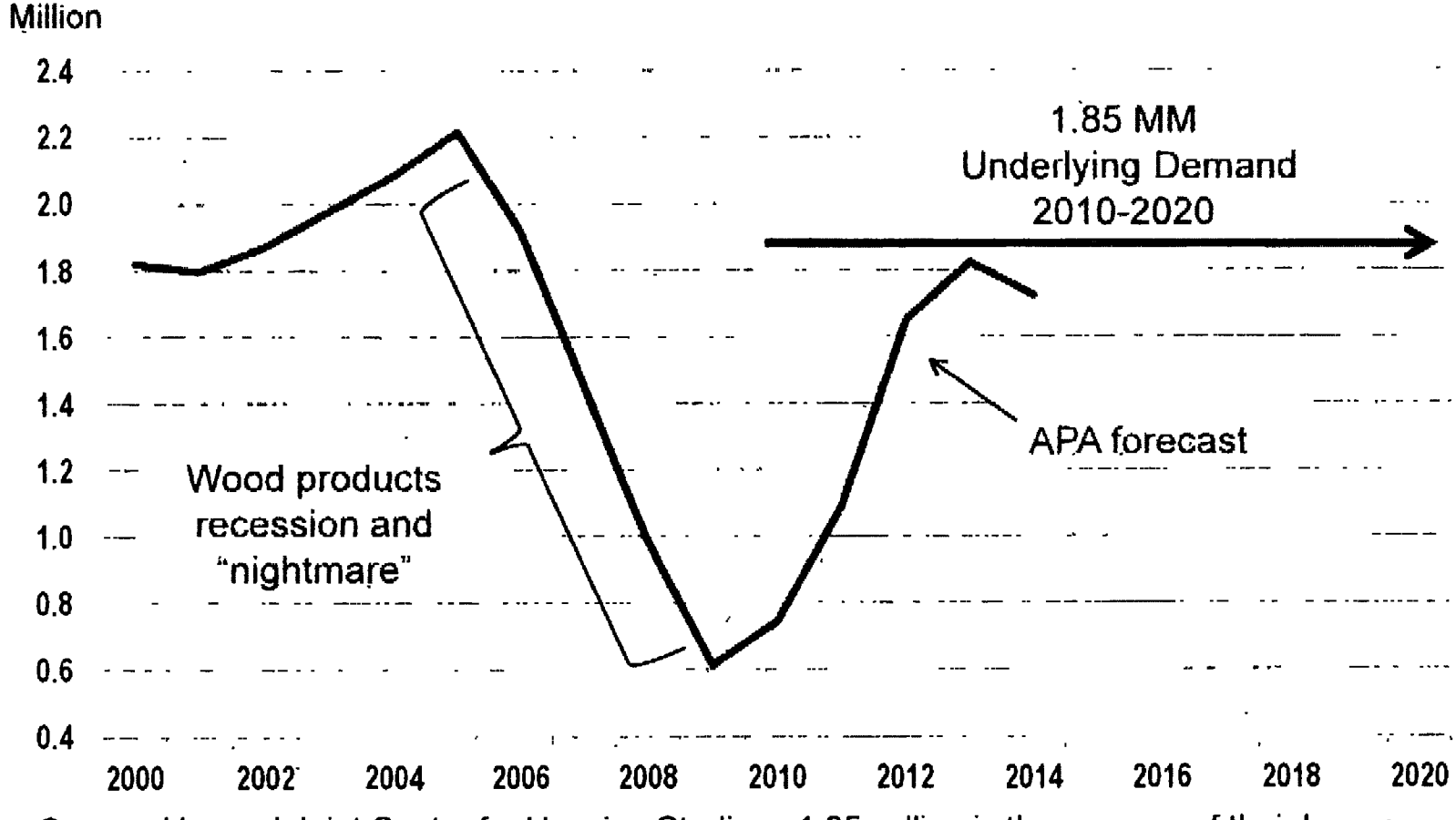

LP
BUILDING PRODUCTS
SOLIDSTART®
ENGINEERED WOOD PRODUCTS

EXHIBIT 2

Housing Assumptions In The Forecast



Source: Harvard Joint Center for Housing Studies. 1.85 million is the average of their low and high series forecasts, November, 2009.

APA

EXHIBIT 3
HIGHLY CONFIDENTIAL
CONTAINS INFORMATION SUBJECT TO PROTECTIVE ORDER

REDACTED